

TABLE OF CONTENTS

CHAPTER 1: PROGRAM START-UP	1-1
I. <u>OVERVIEW</u>	1-1
II. <u>GRANTEE RESPONSIBILITIES</u>	1-1
A. MANAGEMENT AND COMPLIANCE ISSUES	1-1
B. ADMINISTRATIVE STEPS	1-2
1. Grant Award Letter	1-2
2. Incurring Start-up Costs	1-2
3. Preparing the Contract	1-4
4. Establishing a Management Plan for Program Administration	1-6
5. Establishing HOME Files	1-9
III. <u>PROJECT SET-UP</u>	1-12
EXHIBITS	1-13

CHAPTER 1

PROGRAM START-UP

I. OVERVIEW

This chapter outlines the Grantee's Responsibilities as they relate to management and compliance, important administrative steps that must be taken before implementing a Home Investment Partnerships (HOME) Program, and introduces project set-up, all of which must be addressed prior to drawing HOME funds.

The first part of Section II summarizes the management and compliance considerations for which the Grantee is responsible and to which the Grantee must agree prior to HOME funds being drawn.

The second part of Section II outlines the important administrative steps that must occur prior to implementing a Home Investment Partnerships (HOME) Program and drawing funds, including:

- ☒ receiving the grant award letter;
- ☒ incurring start-up costs;
- ☒ preparing the contract;
- ☒ establishing a management plan for program administration;
- ☒ establishing program and project files;
- ☒ attending the grant administration workshop; and
- ☒ completing project set-up activities.

Section III introduces project-set up and describes its importance in the implementation process.

II. GRANTEE RESPONSIBILITIES

A. MANAGEMENT AND COMPLIANCE ISSUES

Grantees receiving HOME funds are responsible for conducting their programs in compliance with state and federal regulations. Major responsibilities of HOME recipients are as follows:

- ☒ carrying out their local programs in a timely and satisfactory manner;
- ☒ carrying out the projects described in their HOME applications and contract documents;
- ☒ ensuring that only eligible activities are undertaken with HOME funding;

- ☑ ensuring that 100% of HOME funding benefits go to low- and very-low income persons;
- ☑ maintaining a system for financial management that provides accurate information about HOME expenditures, and assures financial accountability and control;
- ☑ promoting fair housing and equal opportunity in the implementation of HOME project activities;
- ☑ complying with the National Environmental Policy Act (NEPA);
- ☑ complying with Lead-Based Paint regulations (§92.355, effective 9/15/99); and
- ☑ complying with all other applicable laws and regulations.

B. ADMINISTRATIVE STEPS

1. GRANT AWARD LETTER

The letter you received from the Director of the Montana Department of Commerce (MDOC) announced that you were selected for HOME funding and specified the amount of funds "tentatively" allocated for your program. This letter stated that the MDOC cannot commit funds to your program until you have completed budget and contract negotiations with the MDOC. The contract with the MDOC outlines the Grantee's duties and responsibilities and insures compliance with any conditions imposed as a prerequisite to issuance of HOME funds.

Individual grants were awarded based on the scope of the identified problem, the proposed project activities, and the resources and administrative capacity of the applicants. Amounts less than the original amount requested may have been awarded at the discretion of the MDOC. The tentative award of funds, as outlined in the letter from the Director of the MDOC, does not imply approval of all activities or specific costs proposed in your application. The proposed project activities and budget are subject to modification during subsequent contract negotiations between the Grantee and the MDOC.

2. INCURRING START-UP COSTS

The MDOC grant award letter received by the grant recipient does not authorize the recipient to begin incurring costs. At this point in the program start-up process, the entities tentatively selected for funding do not have authorization to expend or obligate any HOME funds for hiring staff, consultants or engineers, or for the payment of any salaries. Likewise, it is premature to spend any funds for project activities, such as buying land or doing construction work. The following information outlines the procedure for initially incurring expenses. **You should contact your assigned MDOC HOME Program Officer for guidance before incurring any program or project costs.**

- a. Administrative Activities Exempt from Environmental Review Requirements. Federal law requires that all projects financed with HOME funds conform to **HUD Environmental Review Procedures**, which state a Grantee shall not expend or

encumber HOME funds for any activity until a HOME Grantee has completed an *Environmental Review Record* covering all project activities and the MDOC has issued a formal *Release of Funds*. The Department will issue a specific authorization for each Grantee allowing them to incur costs for "environmentally exempt" activities that are unlikely to cause any environmental impact. **The Grantee shall not expend any funds for actual project activities until the environmental review is completed and the MDOC has issued a *Release of Funds*.** An overview of the entire environmental review process is described in **Chapter 2, ENVIRONMENTAL REVIEW**.

If you have any questions regarding "environmentally exempt" activities, contact the MDOC HOME Program Officer assigned to your HOME program for guidance.

b. Reimbursement of Activities. HOME funds will be available after the following has occurred:

- ☒ the MDOC issues a letter of authorization;
- ☒ the Grantee conducts an Environmental Review and requests a Release of Funds;
- ☒ the grant contract is reviewed, approved and signed by both the Grantee and the MDOC;
- ☒ all contract conditions have been met; and
- ☒ the MDOC issues a *Release of Funds*.

The Grantee pays start-up expenses until reimbursement occurs. All costs incurred become the responsibility of the Grantee if any of the following occur:

- a grant agreement is not executed;
- a Grantee is unable to comply with the terms and conditions of the contract;
- the Grantee's program budget did not include a line item or sufficient funds for a particular expenditure;
- the Grantee expands the scope of the project; or
- funds are obligated or costs are incurred without proper authorization.

Procedures outlining what the Grantee must do to be reimbursed for program administration and project activity costs are discussed in **Chapter 3, FINANCIAL MANAGEMENT**.

3. PREPARING THE CONTRACT

As part of the program start-up process, the MDOC and the grant recipient will work together to prepare the grant agreement or contract. The grant contract is the legal document governing the administration of the grant, and includes the following items:

- ☑ scope of work to be completed;
- ☑ the amount of HOME funds to be provided;
- ☑ a detailed budget for the HOME funds and any other funds involved in the program and its projects;
- ☑ the schedule for implementation of project activities;
- ☑ the general and special terms and conditions associated with the grant; and
- ☑ all requirements found in 24 CFR, §92.504(c).

The contract negotiation process includes: finalizing the Program Budget and the Implementation Schedule; identifying special conditions to be included in the contract; and defining key elements of the program in the Management Plan. If during this negotiation process, major changes in the program or its projects occur, it may be necessary for the HOME Program to reevaluate the program's ranking score within the original grant competition.

Each contract consists of:

- ☑ provisions common to all HOME contracts (generally referred to as "boilerplate" language) such as provisions regarding contract termination, modification and amendment; method of payment; conflict of interest; and compliance with applicable laws and regulations; and
- ☑ provisions specific to the agreement between the MDOC and the Grantee, such as provisions regarding the amount of the grant, scope of services, program budget, program implementation schedule, minimum "match" requirement, and any special conditions.

Each provision is legally enforceable and designed to spell out the respective obligations of the MDOC and the Grantee.

A draft contract reflecting key elements of the program will be sent to the Grantee for review. The MDOC recommends the Grantee's attorney review the draft contract to ensure consistency with the organization's legal authority and interests. The HOME Program will prepare the final contract for signature by the MDOC Director and the Grantee's Chief Elected Official(s) or Executive Officer. **Three copies of the contract must have original signatures.** After the contract has all the necessary signatures, one copy will be returned to the Grantee and two will be retained by the MDOC.

HOME funds will not be released to the Grantee until a grant contract is fully executed and all grant conditions have been met. These conditions include, but are not limited to:

- ☑ Completion by the Grantee of an Environmental Review Record;

- ☑ Issuance by the Department of the Notice of Release of Funds (however, upon receiving written authorization from the Department, the Grantee may incur administrative costs necessary for the preparation of the Environmental Review Record(s) and for planning activities defined as exempt under 24 CFR, §58.34);
- ☑ Evidence of the firm commitment of the other resources necessary for the completion of the project;
- ☑ Approval by the Department of a Program Management Plan and administrative guidelines and terms for financial assistance;
- ☑ Approval by the Department of a Program Income or CHDO Proceeds Plan;
- ☑ Establishment by the Grantee of a separate HOME account or accounting classification within the approved accounting and management system to be used exclusively for the receipt and disbursement of HOME and related funds;
- ☑ Submission to the Department of an original and one copy of the *Signature Certification Form* and the *Designation of Depository Form*.

It is very difficult to prepare a scope of services, a budget, and an implementation schedule that anticipates all eventualities throughout the term of the project. Therefore, during program start-up and during the course of the program, the MDOC will consider requests for contract amendments or budget adjustments. **All Grantees must request approval of modifications to the program, in advance, and provide a written justification that clearly demonstrates the modification is appropriate and will enhance the overall impact of the project.** This request may include the following:

- any new program activities;
- alteration of the existing project(s), the budget, or program implementation schedule; or
- adjustment of the boundaries of the program area, as originally proposed in the grant application or defined in the grant contract.

The MDOC will determine whether the modification necessitates reevaluating the project's original ranking score. If the analysis shows the amended project would not have been funded during the original grant competition, the amendment will not be approved. **Substantial changes in project activities or in the geographic area covered by the program may also obligate the grant recipient to publish legal notices, hold a public hearing and conduct an additional environmental analysis in order to comply with federal environmental requirements.**

If a project can be completed for less than the grant amount, the grant contract will be amended to reflect the reduced costs and the difference may be reallocated to unfunded or inadequately funded projects. In certain circumstances, excess funds may be used for an eligible activity that enhances the contracted program. Before the MDOC makes a determination to allow the additional activity, the Grantee must demonstrate that the activity will:

- clearly enhance the overall impact of the original program;

- provide benefits to low- and very-low income persons;
- be completed in a timely manner; and
- be completed with the excess funds.

After program start-up if the Grantee needs to make budget adjustments, the procedure for processing these adjustments is outlined in **Chapter 3, FINANCIAL MANAGEMENT**.

4. ESTABLISHING A MANAGEMENT PLAN FOR PROGRAM ADMINISTRATION

The MDOC requires that Grantees have the administrative capacity to undertake and satisfactorily complete their HOME Program. As part of the HOME application, each applicant prepared a preliminary Management Plan describing how it intends to manage its program. The Management Plan specifically outlines how the program will be managed and by whom, and designates the person(s) responsible for guaranteeing compliance with all necessary requirements before any project proceeds. **Exhibit 1-A** provides the Management Plan Template.

Key elements of the program, including information that is crucial to the timely completion of each project activity, is included in the Management Plan Template. Grantees have flexibility in designing and implementing project activity procedures as long as they are substantially in accordance with the program design and mechanisms proposed in the Grantee's application. While all activities have some requirements in common, individual activities must comply with specific requirements. The template is sectioned into individual activities. Grantees are only required to address sections related to their specific activity. Modifications the Grantee believes will improve the overall program or will increase its impact will be considered, provided the changes would not affect the basis for the original ranking and selection of the project for grant award.

The beginning of **Part I** of the template, Grant Administration and Project Start-up, presents the steps all Grantees must take to receive and manage HOME funds, regardless of the type of program. **Part I**, Sections A through H, outline specific requirements for each type of program: Single-Family Homebuyer Assistance, Single-Family Homeowner Rehabilitation, Single-Family New Construction, Multi-Family New Construction, Multi-Family Rehabilitation, Multi-Family Acquisition, and Tenant Based Rental Assistance (TBRA). **Part II** deals with on-going project management and compliance for each project activity type. **Part III** provides guidance for developing a Program Income Plan or CHDO Proceeds Plan, if required.

Grantees will work with their HOME Program Officer to develop a Management Plan that addresses all relevant project activities. The MDOC HOME contract requires that all Grantees finalize their Management Plan before project set-up. Finalizing the Management Plan will help identify any gaps that must be addressed before the Grantee implements the local HOME program. A copy of the Management Plan should be given to all those involved in managing the program. In the event of staff turnovers, the plan helps familiarize new staff with the responsibilities and operating procedures required to handle program administration.

The Management Plan directs the project from signing the contract with the HOME Program to the end of the project activity and closeout, and continues through the period of affordability. The Management Plan Template covers eight basic areas: 1) program description; 2) certifications, plans, policies and resolutions; 3) organizational structure of grant management team; 4) financial management; 5) project implementation schedule; 6) nondiscrimination, equal housing and employment, and civil rights; 7) environmental requirements; and 8) other requirements.

- 1) **Program Description.** This part provides a brief overview of the components of the Grantee's program.
- 2) **Certifications Plans, Policies, and Resolutions.** It is important that the Grantee and the Chief Elected Official or Executive Officer who signed the Resolution and Certifications fully understand the associated compliance requirements. **You, as the Grantee, have certified to the HOME Program that you are meeting these federal requirements. You must understand that your signed certifications are binding, and we have taken your signature to mean that these requirements are addressed in either your government office or non-profit organization. If there are questions or concerns regarding the applicability of the federal requirements, contact your HOME Program Officer.**
- 3) **Organizational Structure of Grant Management Team.** This element describes how the Grantee will manage the program within its existing organizational structure, i.e., who is responsible for performing specific grant-related activities. The most common alternatives for management are either administration by local staff or administration through a contract with a private consultant. Regardless of the option selected, the governing body of the Grantee has direct responsibility for completion of grant activities, compliance with federal and state requirements, and proper financial management of HOME funds.
 - (a) **Management by Grantee Employees.** When using existing staff or hiring additional employees, the responsibilities of local officials include ensuring that hiring and employment practices are consistent with federal and state equal employment opportunity (EEO) and nondiscrimination provisions. The procedures that are followed and any costs that are incurred must be properly documented see **Chapter 5, CIVIL RIGHTS. Local staff shall maintain brief logs summarizing daily activities. This log shall accompany hourly time sheets for HOME-related work.**
 - (b) **Management by Private Contractor.** When contracting for professional grant management services, the Grantee is required to follow strict requirements to ensure free and open competition. Most professional service contracts are executed through "competitive proposal" or Request for Proposal procedures outlined in **Chapter 4, PROCUREMENT STANDARDS. All contracts for project management services must be submitted to the MDOC for review and approval prior to execution.**

- (c) Management by an Existing Agency or Unit of Local Government. Montana law also allows the option of program administration by another agency or unit of local government such as a Local Housing Authority. An interlocal agreement, request for proposal, and other special steps may be necessary in the event of contracting with another agency or unit of government.
- 4) Financial Management. This portion of the plan describes the procedures used and the officials or staff responsible for assuring proper expenditure of, and internal control over, the use of HOME funds. Grantees must formally accept and appropriate federal HOME funds received by formal resolution. **Exhibit-1D** provides a Sample Combined Resolution for this procedure.
- 5) Project Implementation Schedule. The Implementation schedule is an integral part of the Management Plan and the contract between the MDOC and the Grantee. Deadline information with specific conditions is included in the outline. In the event these conditions have not been met, the tentative award will be withdrawn and the funds reallocated according to the Montana HOME Program ranking and grant award procedures. If the tentative Grantee can demonstrate the existence of unusual or extenuating circumstances, the MDOC will consider an extension of time to meet these conditions.
- Each grant recipient should keep deadlines outlined in the Management Plan Outline in mind as they prepare their program Implementation Schedule. If Grantees anticipate any problems in complying with these requirements, they should notify the MDOC as soon as possible.
- 6) Non-Discrimination, Equal Housing and Employment, and Civil Rights. Grantees must ensure their project provides equal housing opportunities for all individuals. Affirmative Marketing plans and non-discrimination policies must be followed to ensure compliance with federal regulations. Equal employment opportunities for all businesses and individuals are covered by federal regulations. **Chapter 5, CIVIL RIGHTS**, discusses non-discrimination, equal housing and employment, and civil rights in more detail.
- 7) Environmental Requirements. An overview of the environmental review process is described in **Chapter 2, ENVIRONMENTAL REVIEW**. Additional project information beyond the environmental review process may be required, specifically if it relates to areas within flood plains and lead-based paint issues in homes built prior to 1978. The Management Plan outlines provide specific information.
- 8) Other Requirements. This area addresses conflict of interest requirements and circumstances under which written agreements are required.

The Grantee's proposed Management Plan must be sent to the HOME Program Officer for review and approval. The approved Management Plan will be incorporated into the MDOC Contract by reference. Approval must occur prior to expending HOME funds

on any projects. **The local governing body or CHDO must adopt the approved Management Plan by either resolution or motion.** Similarly, any subsequent modifications to the Management Plan or Project Activity Procedures must be submitted to the HOME Program Officer for review and approval. **It is the responsibility of the Grantee to administer the project in accordance with the final Management Plan.**

5. ESTABLISHING HOME FILES

Keeping complete and detailed records is crucial to the successful management of a HOME Program. This section provides a general outline of the HOME file system for program and project records that meet monitoring requirements. The Grantee's Program Manager will gather and organize all the information needed to assure effective management and document compliance with state and federal requirements.

Grantees are required to maintain sufficient **records** to determine whether HOME Program requirements have been met. Below is an outline of file category descriptions that provides information required to maintain an adequate record keeping system. The Grantee must maintain project and program records as detailed in **Exhibit 1-E**. The file categories appropriate for your program will vary depending on the type of project activities involved.

- a. **Application File.** The ***Application*** file should contain a copy of the Grantee's application as submitted to the MDOC and all supporting documentation. This includes the publication notices for and records of the required public hearings and any survey or other data used to prepare the application, such as an income survey, a housing conditions survey, or any correspondence related to the application.
- b. **Contract File.** The ***Contract*** file should contain the executed copy of the contract between the Grantee and the MDOC, including all attachments. Related correspondence, telephone notes, or subsequent amendments to the contract must be retained in this file.
- c. **Program Management File.** The ***Program Management*** file should contain a copy of the Program Management Plan as approved by the MDOC. It also contains a copy of the Grantee's adopted policies and procedures for administering its HOME project and records describing the disposition of each application for HOME assistance. Related correspondence, telephone notes, or subsequent changes to the Plan must be retained in this file. Copies of any legal opinions or recommendations from the Grantee's attorney or from the MDOC, which are relevant to the program or individual project, should also be kept in this file. **Specific records of a personal nature relating to a family's income or disability may be segregated and filed separately to protect the privacy of applicants.**

The Grantee **shall** also include information about the following in the ***Program Management*** File:

- all interested parties in the program, including:

- any developer, contractor or consultant involved in the application or in the planning, development or implementation of the program or any project; and
 - any other person or entity having a financial interest in the program or any project activity. Residency in housing for which assistance is to be given is not, by itself, considered financial interest; and
- the sources of funds that are to be made available for the program or any project activity and the expected uses of the funds. The report must identify the gross amount of funds from all sources, including governmental and non-governmental sources and private capital resulting from tax benefits.
- d. **Environmental Review File.** The ***Environmental Review*** file should contain all data and documentation prepared in response to the environmental review. This includes all notices, public comments, the preliminary environmental review or environmental assessment, the request for release of funds, and the MDOC notice that funds have been released.
- e. **Lead-Based Paint Activity File.** The ***Lead-Based Paint Activity*** file should contain records demonstrating compliance with the lead-based paint requirements of 24 CFR Part 35, subparts A, B, J, K, M & R for residential property built before 1978. This includes all notices, certifications, and documentation that all lead-based paint activities are performed in compliance with applicable Federal laws and regulations.
- f. **Financial Management File.** The ***Financial Management*** file will include financial information regarding the status of HOME funds and other funds involved in the project. A complete record must be maintained of all financial transactions concerning the grant. The official and detailed financial records, including all original source documentation for expenditures, must be maintained by the Grantee's financial office. Copies of payroll records for local staff administering the HOME Program, including hourly time and attendance records and brief logs summarizing daily HOME activities should also be included.
- g. **Procurement Standards File.** The ***Procurement Standards*** file includes information regarding the procurement of goods and services with HOME program funds and should contain records of the procedures followed in the solicitation for services, and a copy of the agreement between the Grantee and their consultant(s), when applicable.
- h. **Construction Bidding & Contracting/Labor Standards File.** The ***Construction Bidding & Contracting/Labor Standards*** file should contain all the information documenting procedures used in soliciting and awarding contracts for any construction activities. This includes preparing bid packages, advertising for bids, conducting bid openings, awarding the contracts and compliance with applicable state and federal labor requirements. The Grantee must keep a separate section for each contract awarded.

- i. **Civil Rights File.** The ***Civil Rights*** file will contain all documentation related to Grantee compliance with state and federal civil rights requirements. It will include any records regarding program benefits, employment practices and procedures, contractor affirmative action, fair housing compliance and accessibility for persons with disabilities.
- j. **Acquisition/Relocation File.** The ***Acquisition/Relocation*** file will contain documentation outlining the procedures used to acquire any real property and policies and procedures for relocating any displaced households and/or businesses. The Grantee must keep a separate section on each case including copies of all notices, case information, and evidence of successful relocations, with documentation of appropriate compensation or other assistance.
- k. **Public Relations File.** The ***Public Relations*** file will contain copies of public notices, press releases or announcements, newspaper articles, council or commission minutes, citizen comments or complaints (with the Grantee's responses to them), and summaries of meetings related to the HOME project. Other records to increase public awareness of the overall program or any individual project, such as photographs of any project sign erected near project activities, should be included in the file.
- l. **Project Audit/Program Closeout File.** The ***Project Audit/Program Closeout*** file should contain copies of any audit performed and the preliminary and final closeout reports. The time period covered is between award of the HOME funds and project closeout by the MDOC. The file should include a copy of any correspondence to or from the MDOC regarding audits and closeout, as well as copies of Grantee comments prepared in response to audit findings.
- m. **Program Monitoring File.** All written correspondence and telephone notes regarding monitoring of the grant by the MDOC or any other agency should be retained in the ***Program Monitoring*** file. It is especially important to include all monitoring letters from the MDOC along with any responses to those letters from the chief elected official or others. A copy of each year's *Annual Certification of Income and Affordability Monitoring Form* should be filed here.

The original and complete documentation for all files should be retained in the official offices of the Grantee. These files must be available during normal business hours to any persons authorized to review them, including the MDOC or representatives of HUD. Copies of key documents may be retained by the Program Manager at a separate location.

Access to records and all applicable state and federal laws govern all other documentation relating to the program as they pertain to disclosure of information to the public and individual right of privacy. These laws govern what information has to be disclosed about the parties involved in the program or any individual project and the sources and uses of funds for the program.

Both federal and state laws require that most records and information held by public agencies be made available for public inspection. However, when the information that is sought is of a personal nature, the decision to release it must be based on balancing the public's right to know against the competing right of individual privacy. The "right to privacy" laws will most affect the clients that the Grantee will be serving. If a Grantee has questions regarding these matters, they should contact their local attorney for further assistance.

6. ATTENDING GRANT ADMINISTRATION WORKSHOPS

Contact the MDOC HOME Program Officer assigned to your HOME program for guidance.

III. PROJECT SET-UP

A Project Set-up Report must be prepared after the Grantee submits an approved Management Plan, executes a contract with the MDOC for HOME funds, submits the required banking and security documents, complies with environmental review requirements, and requests a release of funds. Directions for completing a Project Set-up Report are found in **Chapter 3, FINANCIAL MANAGEMENT, in the Project Set-up, Draw Down and Completion Processes** section. Submission of the project set-up report identifies a specific project for which project activities will begin within six months. Note: All FFY2006 HOME funds **must be spent by May 31, 2008.**

NOTE: The HOME Program has instituted a pilot program for non-competitive allocation of HOME funds to homebuyer assistance (HBA) and homeowner rehabilitation (HOR) programs that will take effect June 1, 2006. Entities conducting single-family programs that are accessing the single-family pool of funds will be required to submit a qualification package. Please refer to Exhibit 1-B for information on the basics of this program and Exhibit 1-C for details on the submission of the qualification package.

CHAPTER 1

EXHIBITS

- 1-A Management Plan Template
 - Part I – Grant Administration and Project Start-Up
 - Section A - Single-Family
 - Section B - Single-Family Homebuyer Assistance
 - Section C - Single-Family Homeowner Rehabilitation
 - Section D - Single-Family New Construction
 - Section E - Multi-Family New Construction
 - Section F - Multi-Family Rehabilitation
 - Section G - Multi-Family Acquisition
 - Section H - Tenant-Based Rental Assistance (TBRA)
 - Part II – On-Going Project Management and Compliance Plan
 - Single-Family Housing
 - Multi-Family Housing
 - Part III – Program Income Plan / CHDO Proceeds Plan
- 1-B Single-Family Pilot Program Information
- 1-C Single-Family Pilot Program Qualification Package Template
- 1-D Sample of Combined Resolution/Motion
- 1-E Required Project and Program Records